

**LAW OFFICES OF BRONZE & TANG**  
A Professional Corporation  
BankPacific Building, 2<sup>nd</sup> Floor  
825 South Marine Drive  
Tamuning, Guam 96913  
Telephone: (671) 646-2001  
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FILED  
DISTRICT COURT OF GUAM  
**JAN 23 2004**  
MARY L. M. MORAN  
CLERK OF COURT

*Attorneys for Defendant  
Hongkong and Shanghai Banking Corporation, Ltd.*

DISTRICT COURT OF GUAM

ALAN SADHWANI, LAJU	)	<b>CIVIL CASE NO. 03-00036</b>
SADHWANI, and K. SADHWANI'S	)	
INC., a Guam corporation,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	<b>DECLARATION OF STEPHEN J.</b>
	)	<b>GRANTHAM IN SUPPORT OF</b>
HONGKONG AND SHANGHAI	)	<b>MOTION TO STRIKE JURY</b>
BANKING CORPORATION, LTD.,	)	<b>TRIAL DEMAND</b>
et al.,	)	
	)	
Defendants.	)	
	)	

I, STEPHEN J. GRANTHAM, do hereby declare and state as follows:

1. All matters herein are based on my own personal knowledge.
2. I am over 18 years of age, and legally competent to testify to the facts below and I do so based upon my own personal knowledge.
3. As of December 31, 1997, I was employed with Hongkong and Shanghai Banking Corporation, Ltd., ("HSBC") as Assistant Vice President in the Corporate Banking Department.
4. As part of my duties at that time, I handled the loan accounts of K. Sadhwani's Inc..

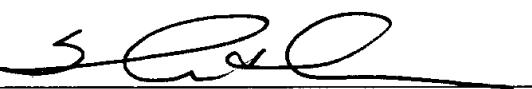
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5. Attached as Exhibit "A" is a true and correct copy of the Renewal and Amendment of Credit Facilities granted to K. Sadhwani's Inc., which I executed on behalf of HSBC.

6. A review of the December 29, 1997, Renewal and Amendment of Credit Facilities indicates that HSBC increased K. Sadhwani's Inc.'s loan facility by \$500,000.00 which was going to be used as a downpayment for the purchase of a warehouse facility adjacent to the Sharp Plaza Building. See, Section A(3) and F(I). HSBC would certainly not have increased K. Sadhwani's Inc.'s loan facility had it been in financial difficulties which would have affected its ability to repay the loan facility.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

**EXECUTED** this 22<sup>nd</sup> day of January 2004.



\_\_\_\_\_  
**STEPHEN J. GRANTHAM**

# HongkongBank

Member HSBC Group

The Hongkong and Shanghai Banking Corporation Limited  
436 Su. Marin Drive, Tumon, Guam 96911 U.S.A.

29 December 1997

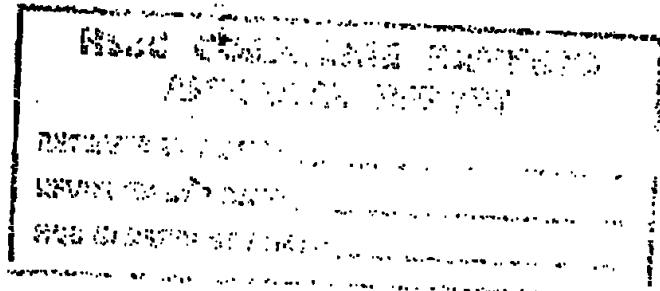
HSBC CORPORATE BANKING		
RECEIVED BY / DATE:	SJW	31 Dec 97
CRF COPY BY / DATE:	SJW	31 Dec 97
I/E INITIAL / DATE:	AS	06 Jan 98

Our Ref: GUM CBA 970995

**PRIVATE AND CONFIDENTIAL**

K. Sadhwani's Inc.  
Sharp Plaza Building  
136 C Kayen Chando  
Sateena Mall  
Dededo, Guam 96912

Attn: Mr. Alan Sadhwani, President



**RE: RENEWAL AND AMENDMENT OF CREDIT FACILITIES**

Dear Mr. Sadhwani:

With reference to our discussions we, The Hongkong and Shanghai Banking Corporation Limited (the "Bank"), are pleased to confirm our agreement to the amendment and renewal of the undermentioned credit facilities granted to K. Sadhwani's Inc. (the "Borrower"). These facilities are made available on the specific terms and conditions outlined herein and upon the satisfactory completion of the security detailed below. These facilities are subject to review at any time and in any event by 31 October 1998 and also subject to our overriding right of withdrawal and repayment on demand, including the right to call for cash cover for prospective and contingent liabilities.

A. <b>FACILITY TYPE</b>	<b>OLD LIMITS</b>	<b>NEW LIMITS</b>
1. Term Loan	NIL	USD6,500,000
2. Term Loan	USD1,151,643	USD 800,000
3. Term Loan	NIL	USD 500,000
4. Overdraft	NIL	USD 250,000
5. Import Line:		
a) Letters of Credit (LC) of which	USD2,500,000	USD1,500,000
b) Clean Import Loans (CIL)	USD1,500,000	NIL
6. Standby Letters of Credit (Standby LC)	USD 330,000	USD 225,000
7. Term Loan	USD 386,000	NIL
8. Term Loan	USD4,900,000	NIL
	<u>USD9,267,643</u>	<u>USD9,775,000</u>

Incorporated in Hong Kong with limited liability  
P.O. Box 27C, Agana, Guam 96932 • Telephone: (671) 646-3757-62 • Cables: Hongbank  
Telex: 6309 • Fax: (671) 646-3767

K. Sadhwani's Inc.

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**B. PURPOSE:**

1. To consolidate Term, Revolving and Clean Import Loans.
2. To term our past due Clean Import Loans.
3. To finance the purchase of a warehouse complex.
4. For working capital purposes.
5. To facilitate the importation of stock.
6. To issue Standby LCs in favor of suppliers/airlines.

**C. INTEREST RATES:**

- 1-4. 0.75% over the Bank's Base Lending Rate adjusted monthly.
- 5a. LC - 1/8 of 1.00% of LC amounts per month.
6. Standby L/C - 1/8 of 1.00% of Standby LC amounts per month.

The Bank's Base Lending Rate means the base index rate established by the New York Office of the Bank from time to time in good faith in its discretion for general pricing of its short term loans to ordinary commercial borrowers. Such rates may be established and changed from time to time.

Interest on overdue payments, both principal and interest, will accrue at 5% over the above rate.

**D. REPAYMENT TERMS:**

1. USD83,225 per month inclusive of interest for 5 years with a balloon repayment due at the end of the 60th month. Repayments are based on a 10 year amortization.
2. USD25,535 per month inclusive of interest for 3 years.
3. USD6,402 per month inclusive of interest for 5 years with a balloon repayment due at the end of the 60th month. Repayments are based on a 10 year amortization.
4. Interest monthly, principal payable on demand. Interest charges will be automatically charged from the checking account.
- 5a. Due at sight.
6. Due upon claim in accordance with Standby L/C terms.

**E. OTHER CHARGES:**

A non-refundable renewal fee of USD5,000.00 is due upon acceptance of this letter.

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**F. SECURITY:**

1. Consolidated first mortgage over the following properties for the full facility amount:
  - a. Lot No. 2136-1-2, Tamuning, Guam (Dallas Lounge Building).
  - b. Lot Nos. 2141-1-3NEW & 2141-1-1-R1 Tamuning, Guam (Sharp Plaza Building).
  - c. Lot Nos. 2023-2-1-R1, 2025-4, & 2023-2-1-1 Tamuning, Guam (Tick Tock Building).
  - d. Lot No. 7, Block 8, Tamuning, Guam (Perczville vacant land).
  - e. Lot Nos. 10054-6, 10054-7, 10054-8, & 10054-R8, Dededo, Guam (Vacant Lot).
  - f. Lot No. 2104-6NEW, Tamuning, Guam (HongkongBank Building).
  - g. Lot No. 16 & 19, Block 10, Dededo, Guam (Sateena Shopping Mall).
  - h. Lot Nos. 2136 #1-9-1, 2136 #1-8-1, & 2136 #1-7-1, Tamuning, Guam.
  - I. New property to be acquired (Second Mortgage) Tamuning, Guam.
2. Consolidated Title Insurance policy over the above properties for the mortgaged amount showing the bank as beneficiary.
3. First leasehold mortgage for USD139,000 over Lot No. 006 H45 (the Saipan Tick Tock Building), Chalan Kanoa, Saipan.
4. Title Insurance Policy on security item no. 3 above for the mortgaged amount showing the Bank as beneficiary.
5. Hazard insurance policies on the improved properties listed above for not less than their replacement value showing the Bank as loss payee.
6. Assignment of rental income over the above properties.
7. Uniform Commercial Code First (UCC1) Financing Statement on all inventory, receivables, furniture, fixtures and equipment of the Borrower showing the Bank as senior lien holder.
8. Hazard insurance policy on the items covered by the UCC1 Financing Statement above in form and content satisfactory to the Bank showing the Bank as loss payee.
9. Joint and several personal guarantees of Ashok and Laju Sadhwani for the full facility amount.

**G. COVENANTS:**

1. The Borrower shall maintain Gearing and Debt-to-Equity ratios (defined in the Appendix to this document) of no greater than 3.50 and 4.0 respectively.
2. The Borrower will at all times retain an adjusted Tangible Net Worth (defined in the Appendix to this document) of no less than USD 2.3 million.
3. The Borrower will not enter into any additional financial commitments without the Bank's prior written consent.

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4. The audited financial statements of the Borrower should be submitted to the Bank no later than four months after the end of its fiscal year. Interim financial statements should be submitted to the Bank on a semi-annual basis, no later than 60 days after the end of each half year.
5. A detailed inventory report to be submitted by the Borrower to the Bank on a half yearly basis by the 15th of the following month.

**H. OTHER TERMS AND CONDITIONS:**

1. This facility is subject to review at any time and, in any event, by 31 October 1998.
2. The net worth statement of Ashok and Laju Sadhwani shall be submitted to the Bank on request.
3. The Bank reserves the right to require updated property appraisals once every two years by an appraiser approved by the Bank. The cost of the appraisal shall be for your account and will be automatically debited to your account if no other arrangements are made.
4. All appraisal/processing/legal/recording/inspection fees, if any, shall be for the Borrower's account. Your account will be debited automatically for these charges.
5. In the event the Bank has not received evidence that a required insurance policy has been renewed at least 10 days prior to expiry, the Bank reserves the right to purchase the required insurance without reference to you. The cost of this insurance will be automatically debited to your account or added to the loan amount payable.
6. Sale proceeds from any mortgaged property sales are to be applied to outstanding loans.
7. The loan documents, including without limitation the Business Loan Agreement (or Credit Agreement, whichever applies), shall contain terms and conditions satisfactory to the Bank with respect to any items not specifically provided herein.

Notwithstanding the other terms mentioned above, we reserve our customary overriding right of repayment upon demand.

If the effect of any, or a change in any, law or regulation is to increase the cost to us of advancing, maintaining or funding this facility or to reduce the effective return to us, we reserve the right to require payment on demand of such amounts as we consider necessary to compensate us for any increased costs which continued to be incurred after the serving of 60 days notice.

Please arrange for the authorized signatories of your company, in accordance with the terms of the mandate given to the Bank, to sign and return to us the duplicate copy of this letter to signify your confirmation as to the correctness of the security held, and your continued understanding and

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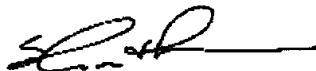
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acceptance of the terms and conditions under which these facilities are granted.

These facilities will remain open for acceptance until the close of business on 31 December 1997 and if not accepted by that date will be deemed to have lapsed.

We are pleased to be of continued assistance.

Yours sincerely,



Stephen J. Grantham

Assistant Vice President - Corporate Banking

SJG\egv

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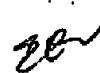
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**BORROWER'S ACKNOWLEDGMENT AND ACCEPTANCE:**

On behalf of K. SADHWANT'S INC., I hereby accept the terms and conditions of this commitment letter.

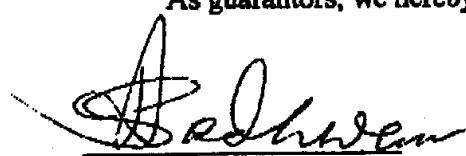


By: Mr. Alan Sadhwani  
Its: President  
Date: 31DEC97

  
*Zor*

**GUARANTORS' ACKNOWLEDGMENT:**

As guarantors, we hereby acknowledge the terms and conditions of this offer letter.



Mr. Alan Sadhwani  
Date: 31DEC97



Mrs. Laju Sadhwani  
Date: 31DEC97

**APPENDIX**

"Adjusted Tangible Net Worth" as defined by the Bank, includes capital stock plus retained earnings and other reserves (including the hidden reserve accruing from the market value of fixed assets) less tangible assets.

"Gearing", as defined by the Bank, is total interest bearing debt divided by adjusted tangible net worth.

"Debt to Equity", as defined by the Bank, is total debts divided by adjusted tangible net worth.